

New study shows Kyoto Protocol surplus of emission permits threatens future climate deal

Brussels, Sept 13, 2012. Current Kyoto Protocol rules allow rich countries to continue to emit greenhouse gases on a business-as-usual trajectory while accumulating over 17 billion tonnes of surplus emission reduction permits by 2020, a new study shows. This astronomical surplus threatens the viability of any future climate deal. At the UNFCCC negotiations in Bangkok the G-77 group and China presented a proposal to effectively reduce this surplus. The proposal puts renewed pressure on the EU to abandon its silence on the issue and to take an unambiguous stance in favour of a 2 degree goal.

Assigned Amount Units (AAUs) are the tradable emission permit under the Kyoto Protocol. One AAU allows a country to emit 1 tonne of CO₂e. Kyoto Protocol rules allow countries to carry over all unused emission allowances into the next commitment period.

A new independent study by Thomson Reuters Point Carbon published today estimates the surplus from the first Kyoto commitment period (2008-2012) to be 13.1 billion tonnes of CO₂. Russia (5.8), Ukraine (2.6) and Poland (0.8) are the largest surplus holders, followed by Romania (0.7), the UK (0.5) and Germany (0.5). The surplus is over three magnitudes higher than the estimated demand of 11.5 million tonnes (Mt).

The study shows that even without the surplus from the first commitment period, countries will likely accumulate a surplus of 3.6 billion tonnes of CO₂ by 2020. This is because developed countries have made very weak emissions reduction pledges for 2020. Together with lenient rules on the use of offsets, they will be able to emit 3.6 billion tonnes of CO₂ more than they are projected to emit under business-as-usual (BAU) emissions projections until 2020.

This could bring the total surplus from 2008-2020 to 16.2 billion tonnes. If Australia and New Zealand decide not to join the second Kyoto commitment period, the combined surplus could be as high as 17.2 billion tonnes. This is more than what the EU is expected to emit in the next five years.

“Despite its enormous size, the surplus from the first commitment period would have little or no value to the majority of their holders because of the significant oversupply expected in the second commitment period. In other words, it is unlikely that countries with a large surplus will find buyers,” explains Andreas Arvanitakis, Director, Advisory Services, Thomson Reuters Point Carbon and co-author of the Thomson Reuters Point Carbon study.

Nevertheless the study also shows that the preservation of the AAU surplus might have considerable implications in the longer term.

“The current lack of commitment will likely eliminate the chances of an ambitious global climate deal,” comments Anja Kollmuss, carbon market expert at CDM Watch. *“It is difficult to see how rich countries could convince poorer nations to commit to meaningful emission cuts if their own pledges are so paltry and the loopholes so gigantic. Without immediate action from developed countries committing to real emissions cuts our chances of avoiding dangerous climate change will likely be lost.”*

The study furthermore shows that current EU climate commitments are very weak. Even if the EU raised its target to 25% reduction below 1990 emissions levels by 2020, there would still be a surplus of 800 million tonnes of CO₂, not counting the surplus from the first commitment period.

CDM Watch believes a solution has to be found at the November climate negotiations in Doha (COP 17). Otherwise the existing rule that allows full carry-over will be applied by default. At the negotiations in Bangkok which ended last week the G-77 and China presented a promising proposal on how to restrict the gigantic surplus. Only if a country's emissions reduction pledge under the new Kyoto commitment period is below its 2012 emissions levels would that country be able to use their surplus for compliance. Trading of the surplus would not be allowed.

Because of the urgency of the issue, most countries are backing the G-77 proposal. However, despite its call for meaningful mitigation actions, the EU remains opposed to the proposal because of internal disagreement caused by some EU Member States that hold significant surplus which they are hoping to sell.

"Mainly because of Poland, the EU is not able to speak out on this issue. If the EU wants to keep its leadership role against dangerous climate change it needs to stop hiding behind Poland and commit to a strong position." comments CDM Watch Director Eva Filzmoser.

Importantly the new proposal seems to meet all the requirements that the EU stipulated need to be met in order to commit to a second commitment period under the Kyoto Protocol.

An EU internal solution must be agreed on by the next Environmental Minister's Council in October 2012. Such a solution could include tightening the EU-ETS cap reduction by at least 1.4 billion EUAs. This would resolve the potential inconsistencies between the EU's EU-ETS legislation, and restrictions on the surplus carry-over. It would also enhance the EU-ETS carbon price which is currently so low that it threatens the ability to cost-effectively move to a European low carbon economy of more than 80% greenhouse gas reductions by 2050 as agreed in EU climate legislation.

"The gigantic surplus of emission credits threatens the viability and effectiveness of international climate policy regimes." says Tomas Wyns, Director of CCAP-Europe. "The EU is in the unique position to solve both its domestic EU ETS and Kyoto surplus at the same time through enhancing its 2020 reduction target."

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Additional information:

The study cited in this media advisory, "Carry-over of AAs from CP1 to CP2 –Future Implications for the Climate" was authored by Thomson Reuters Point Carbon and commissioned by CDM Watch. The analysis was conducted on an independent basis and represents the opinion and views of Thomson Reuters Point Carbon.

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CDM Watch and CCAP Policy Brief: [The Phantom Menace: An introduction to the Kyoto Protocol Allowances surplus.](#)

den Elzen M, Meinshausen M., Hof A. (2012). The impact of surplus units from the first Kyoto period on achieving the reduction pledges of the Cancún Agreements Climatic Change. DOI: 10.1007/s10584-012-0530-5

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